

ORDER NO. 2726

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Before Commissioners:

Robert G. Taub, Acting Chairman;
Tony Hammond, Vice Chairman;
Mark Acton;
Ruth Y. Goldway; and
Nanci E. Langley

Periodic Reporting
(Proposal Four)

Docket No. RM2015-12

ORDER APPROVING ANALYTICAL PRINCIPLES
USED IN PERIODIC REPORTING
(PROPOSAL FOUR)

(Issued September 22, 2015)

I. INTRODUCTION

This Order addresses a Postal Service petition seeking to replace the use of international accounting data with System for International Revenue and Volume, Outbound—International Origin-Destination Information System (SIRVO-IODIS) data in the International Cost and Revenue Analysis (ICRA) report (Proposal Four).¹ The Petition was filed pursuant to 39 C.F.R. § 3050.11. For the reasons discussed below,

¹ Petition of the United States Postal Service for the Initiation of a Proceeding to Consider Proposed Changes in Analytical Principles (Proposal Four), July 17, 2015 (Petition). The Petition attributes the source of the replacement data as the “Summary of International Revenue and Volume Outbound statistical system or SIRVO.” Petition, Proposal Four at 1. The Commission interprets the Postal Service’s request to refer to the SIRVO-IODIS.

the Commission approves Proposal Four. This Order provides background information, describes Proposal Four, addresses related filings, and presents the Commission's analysis and conclusion.

II. BACKGROUND

The ICRA report is a nonpublic annex to the Postal Service's Annual Compliance Report (ACR). International accounting data have been the source of the mail flow data for countries not reported in the ICRA report inputs by SIRVO-IODIS. *Id.* Because the Postal Service began receiving expanded country data from SIRVO-IODIS in FY 2012, the Postal Service proposes to use the expanded SIRVO-IODIS data in the ICRA report in lieu of the international accounting data.²

Accordingly, on July 17, 2015, the Postal Service filed a petition seeking initiation of a proceeding to consider Proposal Four. *See generally* Petition. The Postal Service concurrently filed supporting workpapers and an application for non-public treatment of certain material it considers confidential business information.³ On July 20, 2015, the Commission issued Order No. 2601 establishing the instant docket for consideration of the Petition, appointing a Public Representative, and establishing dates for filing comments and reply comments.⁴ The Chairman issued, and the Postal Service responded to, two information requests.⁵ The Public Representative filed comments on August 31, 2015.⁶ No additional comments were received.

² See Responses of the United States Postal Service to Questions 1-4 of Chairman's Information Request No. 1, August 10, 2015, questions 1-2 (Response to CHIR No. 1).

³ See Notice of Filing of USPS-RM2015-12/NP1 and Application for Nonpublic Treatment, July 17, 2015.

⁴ Notice of Proposed Rulemaking on Analytical Principles Used in Periodic Reporting (Proposal Four), July 20, 2015 (Order No. 2601).

⁵ See Response to CHIR No. 1, questions 1-4; Response of the United States Postal Service to Question 1 of Chairman's Information Request No. 2, August 28, 2015 (Response to CHIR No. 2).

⁶ Public Representative Comments on Proposed Changes in Analytical Principles Used in Periodic Reporting (Proposal Four), August 31, 2015 (PR Comments).

III. PROPOSAL FOUR

A. Summary

Proposal Four proposes to restructure the ICRA model to accommodate the expanded SIRVO-IODIS data. Response to CHIR No. 1, question 2. Currently, the Postal Service uses SIRVO-IODIS to develop settlement costs by outbound product for 46 countries, which are reported individually, and for 186 countries and territories, which are reported as four regional groupings. Petition, Proposal Four at 1-2. The Postal Service proposes to use SIRVO-IODIS data to disaggregate the country-specific outbound mail flow data for the 186 countries and territories that are currently reported as four regional groupings. *Id.* at 2. Also, the Postal Service proposes to eliminate 16 of the 20 datasets, retaining only four files for outbound Priority Mail Express International (PMEI) data that are not provided by SIRVO-IODIS. *Id.*

B. Current methodology

Currently, the programs used to extract data for the ICRA model provide data for many of the smaller countries in geographic-based aggregates. Response to CHIR No. 1, question 2. These programs use 20 individual quarterly international accounting datasets to provide country-specific outbound mail flow data for 46 individual countries and four regional aggregated country groupings. Petition, Proposal Four at 2.

C. Proposed methodology

The Postal Service proposes to replace the use of the international accounting data with the expanded SIRVO-IODIS data. *Id.* at 2. Implementation of Proposal Four would substitute the SIRVO-IODIS country data for international accounting data directly into four worksheets identified as RPW Gross Weight, RPW Net Weight, RPW Revenue and RPW Volume. These worksheets are located in the ICRA core data Excel file, Inputs.xls, which is used to develop the ICRA report. *Id.* Proposal Four would also eliminate two worksheets, Outbound KG and CP Outbound Air, in Inputs.xls.

Elimination of these two worksheets would require changes to links in the Excel file, Outbound Calcs.xls, another file used to develop the ICRA report. *Id.*

D. Impact

The Postal Service asserts that the change does not materially affect the overall workings of the ICRA report because the use of the SIRVO-IODIS data is parallel to the use of the international accounting data. *Id.* at 1. The Postal Service states this change will streamline the ICRA report data sources by eliminating 16 of the 20 datasets and retaining only four files for outbound PMEI data that are not provided by SIRVO-IODIS. *Id.* at 2. Further, Proposal Four will disaggregate data for the 186 additional countries and territories currently subsumed in the four regional aggregate groups. *Id.*

The Postal Service states that despite the new weighting scheme changing the costs for individual products, overall costs will remain the same (to within one ten-thousandth of one percent) due to the ICRA report benchmarking process. *Id.* at 4. The Postal Service identifies 36 changes caused by Proposal Four that exceed both \$0.01 and one percent. *Id.* at 3. For instance, the Postal Service represents that the shift to the SIRVO-IODIS data would increase the volume-variable costs for International Priority Airmail and International Surface Airlift by \$125,000 and \$85,000, respectively. *Id.* The Postal Service asserts that this cost change would only affect outbound products covered by SIRVO-IODIS and any affected Negotiated Service Agreements in the international settlements estimates. *Id.* The Postal Service also asserts that only one market dominant category would change by at least one percent—total volume-variable cost increases \$10,000 for Outbound International Cards to Transition System Countries (at Universal Postal Union rates). *Id.* at 4.

IV. COMMENTS AND ADDITIONAL INFORMATION

A. Public Representative Comments

The Public Representative recommends the approval of Proposal Four. PR Comments at 4. He states that using SIRVO-IODIS country data will permit the development of settlement costs for all countries and outbound international products, other than PMEI, presented in the ICRA report. *Id.* Also, he observes that using SIRVO-IODIS country data streamlines the processing of data used to develop outbound settlement costs and thereby reduces costs to the Postal Service. *Id.*

B. Postal Service Responses to Chairman's Information Requests

In response to Chairman's Information Request No. 1, the Postal Service provides additional background regarding the purpose of the proposed change and its asserted minimal impact. See Response to CHIR No. 1, questions 1-4. The Postal Service explains that Proposal Four will be limited to restructuring the ICRA report to rely upon the more readily available expanded SIRVO-IODIS data. *Id.* question 3. According to the Postal Service, Proposal Four "avoid[s] the costs of generating and processing accounting datasets for the ICRA [report] with little material difference in results." *Id.* The Postal Service explains that Proposal Four "streamline[s] processing by eliminating 16 of the 20 files provided by the St. Louis International Accounting Branch." *Id.* question 4. In Response to Chairman's Information Request No. 2, the Postal Service confirms that eliminating 16 of the 20 data source files minimizes the potential for errors in the analysis of data contained in the ICRA report. See Response to CHIR No. 2.

V. COMMISSION ANALYSIS

Accepted analytical principles may be changed to improve the quality, accuracy, or completeness of the Postal Service data or analysis underlying the ACR. See 39 C.F.R. § 3050.11(a). Based upon a review of the Postal Service's filing, supporting

workpapers, responses to information requests, and the Public Representative's comments, the Commission finds that Proposal Four improves the quality of the data and analysis underlying the ACR, consistent with 39 C.F.R. § 3050.11(a). In particular, streamlining the number of individual quarterly international accounting datasets from 20 to 4 source files will minimize the potential for errors in the ICRA report annexed to the ACR. Moreover, the proposal permits the Postal Service to develop and report individual settlement costs for 186 countries and territories, rather than rely on four regional country groupings. This improves the quality of the cost data reported in the ICRA. Further, the Commission finds that replacing the international accounting data with the expanded SIRVO-IODIS data should have limited material effect on the ICRA report results.

In conclusion, the Commission approves the Postal Service's proposal to replace the use of the international accounting data with the expanded SIRVO-IODIS data for the ICRA report.

VI. ORDERING PARAGRAPH

It is ordered:

For purposes of periodic reporting to the Commission, the Commission accepts the changes in analytical principles proposed by the Postal Service in Proposal Four.

By the Commission.

Shoshana M. Grove
Secretary